

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00 DODE-00

DOTE-00 INR-07 NSAE-00 FAA-00 L-03 SS-15 NSC-05 SAM-01

/056 W

----- 076143

P R 141556Z APR 76

FM AMEMBASSY MADRID

TO SECSTATE WASHDC PRIORITY 5334

INFO AMEMBASSY PARIS

AMEMBASSY LISBON

UNCLAS SECTION 1 OF 2 MADRID 2935

E.O. 11652: N/A

TAGS: EAIR, SP

SUBJ: SPANISH DISCONTENT WITH NORTH ATLANTIC FARES

BEGIN SUMMARY

1. EMBASSY TRANSLATES BELOW (UNESSENTIAL WORDS AND PHRASES OMITTED) LETTER FROM SPANISH DIRECTOR GENERAL OF AIR TRANSPORT, GEN. DIEGO YNIGUEZ, TO CAB CHAIRMAN ROBSON, COPY OF WHICH SENT HERE, AND WHICH EMBASSY BELIEVES TO BE OF GENERAL INTEREST. LETTER FROM SPANISH DGCA PRESENTS ARGUMENTS WHICH HE HOPES CAB WILL BE ABLE TO CONSIDER BEFORE APRIL 21 IATA MEETING. MOST IMPORTANT POINTS MADE ARE: IATA FARE STRUCTURE TOO COMPLICATED; SCHEDULED FLIGHT FARES TOO HIGH, OTHERS TOO LOW. GOS UNHAPPY THAT SCHEDULES NOT GETTING FAIR SHARE OF MARKET. IBERIA DROPPED BOSTON AND WASHINGTON AND REDUCED TRAFFIC ELSEWHERE, BUT CANNOT REDUCE US SERVICES FURTHER. GOS HAS GIVEN EVERY POSSIBLE ASSISTANCE TO CHARTER FLIGHTS, BUT INSISTS SCHEDS NEED BETTER PROPORTION OF MARKET TO SURVIVE. IBERIA HAS LONG PROPOSED IN IATA TO ALLOW GROUPS WITH MIN 40 PASSENGERS TRAVEL ON SCHEDULED FLIGHTS UNDER CHARTER CONDITIONS AND HOPES RAISE ISSUE AGAIN AT APR 21 IATA MEETING. PRICES IBERIA PROPOSES APPLY TO THESE FLIGHTS ARE ECONOMICAL, THE ONLY CRITERION VOICED BY CAB, ACCORDING

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YNIGUEZ, WHO EXPRESSES HOPE FOR PROMPT REPLY AND FOR IMPL-

MENTATION THIS SCHEME BY MAY 1.
END SUMMARY.

2. TEXT OF LETTER FOLLOWS: QTE FACED WITH NECESSITY COORDINATED ACTION BY RESPECTIVE GOVERNMENTS IN AIR TRAFFIC ESPECIALLY ON NORTH ATLANTIC ROUTES, I ADDRESS YOUR FARES WHICH AIRLINES, AS RESULT LAST FEBRUARY'S IATA CONFERENCE SUBMITTED TO GOVERNMENTS FOR APPROVAL, TO TAKE EFFECT MAY 1.

3. AGREEMENT UNSATISFACTORY FOR US AND UNFORTUNATELY REPEATS DEFECTS OF LAST FEW YEARS: EXCESSIVE VARIETIES OF FARES; TOO MANY COMPLICATIONS IN APPLICATION; EXCESSIVELY LOW ONES IN OTHER FARES WITH UNPROFITABLE CONSEQUENCES ON REVENUE AND LOAD FACTORS WHICH THIS FARE STRUCTURE HAS BROUGHT ABOUT UP TO NOW. THIS STRUCTURE HAS SHOWN ITSELF UNABLE TO ALLOW SCHEDULED AIRLINES TO PARTICIPATE FAIRLY IN THE TOTAL MARKET.

4. WE REALIZE AIRLINES HAVE HAD TO FACE MANY DIFFICULTIES AND THERE HAVE BEEN CIRCUMSTANCES BEYOND THEIR CONTROL WHICH HAVE PREVENTED THEM FROM ACHIEVING THEIR GOAL OF RADICAL CHANGE IN THE NORTH ATLANTIC FARE STRUCTURE.

5. I AM INFORMED THAT THE CAB BEGAN A PERIOD OF CONSULTATION BY ITS ORDER 76-3-94 DATED MARCH 18 ABOUT THIS IATA AGREEMENT (AGREEMENT CAB 25734) AND THAT THE CAB'S DECISION, AFTER CONSIDERING THE COMMENTS AND INFORMATION RECEIVED WILL BE MADE PUBLIC IN A FEW DAYS. I AM ALSO INFORMED THAT THE CAB WOULD HAVE PROBLEMS IN APPROVING THE LEVELS OF THESE FARES FOR AFFINITY CHARTERS BETWEEN THE UNITED STATES AND SPAIN SET FORTH IN THE RESOLUTION IATA JT. 12 (71) 76, SINCE IT BELIEVES THAT THESE LEVELS SHOULD BE INCREASED IN THE SAME PROPORTION AS WERE THE TARIFFS OF OTHER EUROPEAN COUNTRIES.

6. THE LEVELS OF THESE FARES WERE THE SUBJECT OF CONSULTATION BETWEEN OUR TWO GOVERNMENTS IN MAY, 1975 AND I BELIEVE THAT ALL THE ARGUMENTS RAISED ARE STILL REMEMBERED BY EVERYONE ON BOTH SIDES WHO PARTICIPATED IN THEM. CIRCUMSTANCES HAVE NOT CHANGED SINCE THEN. ON THE CONTRARY THEY HAVE SHOWN THAT IT IS TIME TO RECOGNIZE REALISTICALLY THAT IT IS VITAL FOR THE SURVIVAL OF SCHEDULED AIR TRAFFIC (AT LEAST IN THE SPECIFIC UNCLASSIFIED

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CASE OF SPAIN AND THE UNITED STATES) THAT THERE BE A FARE STRUCTURE WHICH ALLOWS CARRIERS TO PARTICIPATE IN THE TOTAL MARKET.

7. THE MEMBERS OF THE CAB WILL SURELY HAVE NOTED THAT IBERIA HAS SLOWLY BEEN REDUCING ITS CAPACITY ON ITS ROUTES TO THE UNITED STATES VIA THE NORTH ATLANTIC DOWN TO THE ABSOLUTE MINIMUM LIMITS. IT HAS CANCELLED ITS SCHEDULED FLIGHTS TO BOSTON,

AND WASHINGTON, AND FROM MALAGA AND THE CANARY ISLANDS TO THE UNITED STATES, LEAVING IN SCHEDULED SERVICE ONLY ONE DAILY FLIGHT WITH A B-747 BETWEEN MADRID AND NEW YORK.

8. ANY NEW STEPS TO REDUCE CAPACITY WOULD BE INCOMPATIBLE WITH "REGULAR PUBLIC SERVICE" AND WOULD THEREFORE NOT BE ALLOWED BY GOS. MUCH LESS CAN WE ALLOW REGULAR PUBLIC SERVICE TO DISAPPEAR, BY BEING PREVENTED FROM CHARGING FARES PERMITTING THEM TO DEFEND THEMSELVES IN THE PRESENT MARKET. GOS DEEMS IT NECESSARY THAT CAPACITY OFFERED BY SCHEDULED FLIGHTS BE AVAILABLE TO ALL POTENTIAL TRAVELLERS WITHOUT DISCRIMINATION. THIS WOULD PERMIT DESIGNATED CARRIERS HAVE THE MEANS TO REALIZE A PROFITABLE EXPLOITATION OF SCHEDULED SERVICES WITH WHICH THEY ARE CHARGED.

9. SPAIN HAS GIVEN AND WILL CONTINUE TO GIVE GREATEST POSSIBLE ASSISTANCE TO OPERATION CHARTER FLIGHTS. BELIEVE AMERICAN CARRIERS AND USG HAVE CLEAR INDICATIONS OF THAT. WE WILL NOT CHANGE THAT POLICY, BUT BELIEVE IT VITAL TO GIVE FAIR CHANCE TO SCHEDULED SERVICES, WHOSE FLIGHTS MUST BE MAINTAINED FOR THE BENEFIT OF THE PUBLIC, WHATEVER THE CIRCUMSTANCES IN WHICH THEY HAVE TO OPERATE, TO OBTAIN ACCESS TO THIS TOTAL MARKET IN A JUST PROPORTION AND SO THAT THEIR OPERATION NOT BECOME A SIGNIFICANT AND CONSTANT ECONOMIC LOSS WHICH THEY CANNOT SUPPORT MUCH LONGER.

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INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00 DODE-00

DOT-00 EB-07 INR-07 NSAE-00 FAA-00 L-03 SS-15 NSC-05

SAM-01 /065 W

----- 076908

P R 141556Z APR 76

FM AMEMBASSY MADRID

TO SECSTATE WASHDC PRIORITY 5335

INFO AMEMBASSY PARIS

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10. IBERIA HAS BEEN CONSTANTLY PRESENTING TO IATA IN RECENT YEARS, WITH A POINT OF VIEW WHICH WE SHARE, PROPOSALS WHAT GROUPS OF A MINIMUM OF 40, WHICH ARE PRESENTLY ALLOWED TO TRAVEL JOINTLY VIA "SPLIT-CHARTERS" ON CHARTERS OF WHATEVER VARIETY (ITA, TGC, OWN USE, AFFINITY, STUDENT, ABC, ETC.) BE ALLOWED AS WELL TO TRAVEL ON SCHEDULED FLIGHTS UNDER SIMILAR CONDITIONS. THIS WOULD BE DONE WITHIN LIMITED AND CONTROLLED CAPACITIES. IT WOULD IMPROVE THE REVENUES OF THE SCHEDULED CARRIERS AND WOULD AVOID THE UNJUSTIFIED HARM DERIVING FROM A LARGE NUMBER OF EMPTY SEATS, WHICH SHOULD BE AVOIDED IN ANY CASE IN THE PRESENT PERIOD OF ECONOMIC AND ENERGY PROBLEMS.

1. IBERIA'S IDEAS HAVE OBTAINED UNDERSTANDING AND SUPPORT FROM SEVERAL OTHER NORTH ATLANTIC CARRIERS, BUT NOT THE UNANIMITY WHICH NECESSARY TO REACH AN AGREEMENT IN IATA. ISSUE WILL BE TREATED AFTER APRIL 21. APPEARS THAT STUDY OF NORTH ATLANTIC FARE STRUCTURE WILL BE TAKEN UP WITH A VIEW OF CHANGING IT RADICALLY. RESULTS THIS MEETING WILL BE PRESENTED TO THE RESPECTIVE GOVERNMENTS WITH A VIEW OF PUTTING THE NEW FARE STRUCTURE INTO EFFECT ON NOVEMBER 1, 1976.

12. IN THESE CIRCUMSTANCES IT WAS LOGICAL THAT NOT HAVING REACHED AN ADEQUATE SUBSTITUTE FOR THE AFFINITY GROUP FARES OF THE RESOLUTION JT 12 (71) 076 E, AND FOR A GREATER UNCLASSIFIED

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PARTICIPATION OF THE SCHEDULED CARRIERS IN THE TOTAL MARKETS, THE LEVEL OF THEIR FARES COULD NOT BE RAISED AGAIN. THAT WOULD MAKE THEM YET MORE UNATTRACTIVE AND FOR THAT REASON THEY WERE LEFT BY THE GENEVA CONFERENCE AT THEIR PREVIOUS LEVELS. THE FACT THAT SIMILAR FARES FOR OTHER EUROPEAN COUNTRIES WERE RAISED BY ABOUT 7 OR 8 PERCENT DOES NOT MEAN THAT SPAIN MUST DO THE SAME. THE NATURE OF THE ROUTES AND THE AMOUNT OF TRAFFIC CARRIED ON THEM ARE DIFFERENT, AND IS RELATION BETWEEN SCHEDULED AND CHARTER FLIGHTS IN DIVISION OF MARKET. I AM CONCERNED THAT APPROVAL OF THESE TARIFFS BY CAB WOULD PRESENT PROBLEMS UNLESS THE FARES WERE RAISED. SUCH A CHANGE COULD NOT BE ACCEPTED BY US, SINCE IT WOULD BE A STEP IN A DIRECTION COMPLETELY OPPOSED TO THE ONE WE IN SPAIN THINK SHOULD BE FOLLOWED.

13. SOLUTION IATA REACHED IN GENEVA, WHICH I BELIEVE WORTHY OF CAB APPROVAL AS THE ONLY VIABLE SOLUTION FOR THIS SEASON, HAS NOT PROVEN SATISFACTORY TO SPANISH AUTHORITIES IN SPITE OF EVERYTHING. THEIR HOPES FOR A MORE RATIONAL FARE STRUCTURE, ABLE IMPROVE REVENUES ON NORTH ATLANTIC SCHEDULED FLIGHTS INCLUDING POSSIBILITY FAIRER AND MORE EQUITABLE PARTICIPATION OF SCHEDULED CARRIERS IN THE TOTAL MARKET HAVE ALWAYS BEEN IN VAIN. WE HOPE IATA'S ANNOUNCED INTENTIONS IN THIS RESPECT FOR APRIL 21 CONFERENCE WILL BE CONFIRMED BY REACHING POSITIVE

RESULTS.

14. RE PORTUGUESE DECISION SUPPRESS REQUIREMENT OF AFFINITY IN GROUP FARES IN RESOLUTION JT 12 (71) 076E, GOS AGREES REQUIREMENT IS UNNECESSARY BARRIER TO CARRIERS' MARKETING OF GROUP FARES AND HIGHLY DISCRIMINATORY AGAINST PUBLIC, AS I BELIEVE THE CAB HAS STATED ITSELF. HOWEVER, IT DOES NOT SEEM TO US THAT GOVERNMENT ORDER IS BEST WAY CHANGE FARES, BEFORE CARRIERS HAVE HAD CHANCE CORRECT THESE MATTERS WITHIN IATA.

15. THERE IS NO DOUBT THAT NORTH ATLANTIC TRAFFIC OVER IBERIAN PENINSULA CANNOT ADMIT OF SIGNIFICANT DIFFERENCES BETWEEN SPAIN AND PORTUGAL AND IT IS NECESSARY, IN VIEW OF PORTUGUESE MEASURE, TAKE STEPS SO THAT THE CARRIERS WHICH SERVE BOTH COUNTRIES HAVE SAME FARE FACILITIES, WITH PURPOSE HELPING THEM IN SUMMER 1976 TO GREATER SHARE TOTAL MARKET, THUS ALLEVIATING NEGATIVE RESULTS OF OPERATIONS THERE UP TO NOW.

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16. WE CONVINCED THAT SOLUTION IN PRESENT CIRCUMSTANCES WOULD BE PERMIT SALE OF AT LEAST 40 SEATS PER FLIGHT, ON SCHEDULED FLIGHTS, PERHAPS WITH AN UPPER LIMIT AS WELL, UNDER THE SAME CONDITIONS WHICH NOW PREVAIL OR WILL PREVAIL FOR CHARTER FLIGHTS. PRICES WHICH IBERIA PROPOSES APPLY FOR SALE THESE BLOCKS OF SEATS, SHOULD PROPOSAL BE ACCEPTED, CAN BE JUSTIFIED WITH DATA FROM IBERIA., SHOWING THAT THEY CORRESPOND ADEQUATELY TO COST SERVICE AND FOR THIS REASON ARE IN ACCORD WITH RATIONAL ECONOMIC EXPLOITATION. AS YOU REPEATEDLY STATED, THIS IS ONLY CONDITION WHICH MUST BE IMPOSED ON CARRIERS DESIRING TO OFFER TRANSPORT AT LOW PRICES, WHICH DEMANDED BY LARGE SECTOR OF PUBLIC.

17. IN CASE YOU AGREE, YOU CAN GIVE US SPECIFIC INSTRUCTIONS TO OUR RESPECTIVE DESIGNATED CARRIERS TO MAKE POSSIBLE INTRODUCTION IN SCHEDULED SERVICES BETWEEN TWO COUNTRIES OF THIS FACILITY BY MAY 1. STEP IN THIS DIRECTION WOULD UNDOUBTEDLY CONSTITUTE DECISIVE FACTOR FOR IATA TO TAKE INTO ACCOUNT WHEN TAKES UP FARES TO BE EFFECTIVE ON NOVEMBER 1. NATURALLY I BELIEVE DECISION THIS IMPORTANCE SHOULD BE TAKEN IN AGREEMENT BETWEEN OUR TWO ADMINISTRATIONS.

18. FOR THIS REASON, MR. CHAIRMAN, IT HAS SEEMED NECESSARY AND IMPORT BRING THIS INFORMATION YOUR CAB ATTENTION, WHICH I HOPE WILL ACCEPT SPANISH POSITION ON NORTH ATLANTIC FARES. SINCE EFFECTIVE DATE NEW FARES OF MAY 1 REQUEST PROMPT REPLY. IF YOU HAVE ANY COMMENTS OR QUESTIONS ABOUT THE IMMEDIATE OR FUTURE ASPECTS OF THE QUESTION SPANISH AUTHORITIES WOULD BE HAPPY COLLABORATE IN SOLUTION THIS IMPORTANT PROBLEM. UNQTE. STABLER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, TEXT, INTERNATIONAL ORGANIZATIONS, PUBLIC CORRESPONDENCE, AIR FARES, AVIATION AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 APR 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MADRID02935
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760143-0062
From: MADRID
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760463/aaaacbiy.tel
Line Count: 277
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: oatisao
Review Comment: n/a
Review Content Flags:
Review Date: 29 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 JUN 2004 by SilvaL0>; APPROVED <01 SEP 2004 by oatisao>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SPANISH DISCONTENT WITH NORTH ATLANTIC FARES BEGIN SUMMARY
TAGS: EAIR, SP, IATA, CAB, (YNIGUEZ, DIEGO)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006